

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company  
To Revise Its Electric Marginal Costs, Revenue  
Allocation, and Rate Design.

Application 04-06-024  
(Filed June 17, 2004)

**ADMINISTRATIVE LAW JUDGE'S RULING  
REGARDING AMENDMENTS TO SCOPING MEMO**

It may be necessary to add two or three issues to this proceeding. A draft statement of two issues is included below. Parties are invited to comment before modification is made to the list of issues in Attachment A of the August 27, 2004 Scoping Memo. Parties should use the approach stated in the Scoping Memo for other possible modifications to the list of issues.

**1. AB 1X Shortfall**

Assembly Bill (AB) 1X limits rate increases for some residential usage. In particular, the Commission recently said:

“We have consistently interpreted this AB 1X restriction to provide protection for total charges for residential usage up to 130% of baseline, for utilities subject to the provisions of Water Code § 80110. As we explained in the Phase 1 order:

‘We find this statement to be unequivocal: the Legislature, for the life of the legislation, does not want residential customers to pay more money than they were paying on February 1, 2001 for the baseline quantity of electricity they were receiving on that date. Likewise, residential customers should not pay more than they were paying on February 1, 2001 for their usage of electricity of up to 130% of the baseline quantity they

were receiving on that date. (D.02-04-026, *mimeo.* at 14.).’ ”  
(Decision (D.) 04-02-057, *mimeo.* page 93.)

Retaining rates for up to 130% of baseline usage at a fixed level may or may not cause an undercollection in revenues relative to costs within the residential class. With respect to allocation and rate design, the Commission has said:

“We will defer issues regarding allocation of generation undercollections and rate design to collect such shortfalls to each company’s general rate case or other appropriate proceeding...In those proceedings, we can examine these issues in a broader context, both as to theory and effect, and whether mitigation measures are needed to avoid excessive bill increases for any customer class or segment. While we may find it necessary to raise total rates for some customers following these comprehensive reviews, at least we will be confident that the rate increases are really needed and that they are being implemented in a way that does not threaten the affordability of electric bills...It would be appropriate to consider recovery of generation undercollections after there has been an opportunity to review current costs and to consider cost allocation and rate design issues in a more comprehensive fashion.”  
(D.04-02-057, *mimeo.* pages 98-99.)

As a result, Issue 2.5 may be added to the list of issues for this proceeding:

“2.5. Whether or not the revenue responsibility for usage protected by AB 1X should be allocated to the residential class.”

Applicant may have addressed the issue sufficiently in its showing. If not, it is proposed that applicant serve supplemental proposed direct testimony on this issue no later than December 1, 2004.

## **2. Bond Charges and CRS Cap**

Applicant’s request to use energy recovery bonds to refinance its bankruptcy-related regulatory asset may soon be approved. (See Draft Decision (DD) of Administrative Law Judge Kenney, filed October 19, 2004 in

Application 04-07-032.) The issue of whether or not bond charges payable by departing load customers should be recovered within the cost responsibility surcharge cap of \$0.027/kWh is proposed to be decided in this rate design proceeding, or another proceeding as may subsequently be determined. (DD, *mimeo.* page 60.)

In the event the Commission adopts the DD and the matter is to be decided here, Issue 3.16 is proposed:

“3.16. The extent to which energy recovery bond charges payable by departing load customers are to be paid within the cost responsibility surcharge cap of \$0.027/kWh.”

Applicant may have addressed the issue sufficiently in its showing. If not, it is proposed that applicant serve supplemental proposed direct testimony on this issue no later than December 1, 2004.

### **3. Rate Decrease for CARE and Residential Customers**

Using the rate design principles from D.04-02-062, the energy recovery bond DD finds that the overall rate level for some customers should not change. Rather, the bond-related rate decrease allocated to these customers should be offset by an increase in the generation component of their rates resulting in no net rate change. This would occur for customers of (1) California Alternative Rates for Energy (CARE), (2) medical baseline and (3) residential Tiers 1 and 2. The DD says, however, that the Commission’s Office of Ratepayer Advocates (ORA) may raise this issue again in this proceeding. (DD, *mimeo.* page 63.)

This issue is not added to the list of issues for this proceeding at this time. ORA (or another party seeking to address this issue) should, however, file a motion consistent with the procedure outlined in the Scoping Memo if ORA (or another party) intends to address this issue. (See Scoping Memo at pages 3-4.) Alternatively, the issue might be added later on the Commission’s own motion.

**IT IS RULED** that:

1. Parties may address whether or not to add Issues 2.5 and 3.16 (as stated in the body of this ruling) to this proceeding. Comments on this shall be filed and served within 5 days, and reply comments within 2 days. To be most useful, comments must include the specific recommended wording for each issue that is suggested by the party.

2. If one or both issues are added, applicant may file supplemental proposed direct testimony to address these issues. Such supplemental proposed direct testimony shall be served by December 1, 2004.

3. Parties shall use the procedure stated in the August 27, 2004 Scoping Memo and Ruling of Commissioner Peevey for other possible modifications to the list of issues.

Dated October 29, 2004, at San Francisco, California.

/s/ BURTON W. MATTSON

Burton W. Mattson  
Administrative Law Judge

**CERTIFICATE OF SERVICE**

I certify that I have either by mail, or by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Administrative Law Judge's Ruling Regarding Amendments to Scoping Memo on all parties of record in this proceeding or their attorneys of record.

Dated October 29, 2004, at San Francisco, California.

/s/ ERLINDA PULMANO

Erlinda A. Pulmano

**N O T I C E**

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to ensure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

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